

## Message Text

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44

ACTION EB-07

INFO OCT-01 AF-06 ARA-10 EUR-12 IO-11 ISO-00 OIC-02 AGR-10

CEA-01 CIAE-00 COME-00 DODE-00 FRB-01 H-02 INR-07

INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-02 AID-05

CIEP-02 SS-15 STR-04 ITC-01 TRSE-00 USIA-15 PRS-01

SP-02 OMB-01 EA-09 NEA-10 /154 W

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R 111330Z MAR 76

FM AMEMBASSY BRASILIA

TO SECSTATE WASHDC 4480

INFO AMEMBASSY MEXICO CITY

AMEMBASSY SANTO DOMINGO

AMEMBASSY CARACAS

AMEMBASSY QUITO

AMEMBASSY SAN JOSE

AMEMBASSY PORT OF SPAIN

AMEMBASSY GUAYAQUIL

AMEMBASSY ABIDJAN

AMEMBASSY ACCRA

AMEMBASSY LAGOS

AMEMBASSY YAOUNDE

AMEMBASSY LONDON

AMEMBASSY PARIS

USMISSION OECD PARIS

USMISSION GENEVA

AMCONSUL RIO DE JANEIRO

AMCONSUL SAO PAULO

AMCONSUL SALVADOR

UNCLAS SECTION 1 OF 2 BRASILIA 2162

E.O. 11652: N/A

TAGS: ETRD EAGR

SUBJECT: COCOA PRODUCERS' ALLIANCE FAILS TO ACHIEVE CONSENSUS ON NEW

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REF: STATE 045317

SUMMARY: EMBASSY CONCURS IN FOLLOWING MESSAGES PREPARED BY AMCONSUL SALVADOR ON SUBJECT MEETING AND ADDS COMMENT ON SUBSEQUENT NEWSPAPER REPORT ON CONFERENCE. PRESS REPORTS AND MIN. FON. OFF OFFICIAL CONFIRMS BRAZIL IS ABOUT TO SIGN THE AGREEMENT. END SUMMARY.

1. AT THE INITIATIVE OF BRAZIL, GHANA, AND NIGERIA, FURTHER DEBATE ON THE NEW INTERNATIONAL COCOA AGREEMENT WAS SUSPENDED FEBRUARY 25, FOLLOWING FAILURE OF THE XXVI MEETING OF THE COCOA PRODUCERS' ALLIANCE TO ACHIEVE CONSENSUS POSITION ON SIGNATURE OF THE AGREEMENT. SUSPENSION, OSTENSIBLY TO PERMIT TIME FOR DRAFTING OF FINAL REPORT BEFORE TODAY'S CLOSING SESSION, BEING INTERPRETED BY PRESS HERE AS COMPLETE COLLAPSE ("FRACASSO") OF MEETING. INDICATIVE IS REPORT THAT FOUR MEMBERS OF GHANIAN DELEGATION, INCLUDING COMMISSIONER KYEREMEH, HAVE ALREADY LEFT SALVADOR.

2. IMPASSE DEVELOPED BECAUSE BRAZIL, GHANA AND NIGERIA, REPRESENTING 62 PERCENT OF WORLD PRODUCTION AND ON RECORD AS FAVORING SIGNATURE, COULD NOT CONVINCE TOGO, CAMEROONS AND IVORY COAST TO TAKE SIMILAR ACTION. LATTER COUNTRY ADAMANTLY OPPOSED NEW INTERNATIONAL COCOA AGREEMENT THROUGHOUT ON GROUNDS PRICE SPREAD TOO LOW AND ADJUSTMENT MECHANISMS UNSATISFACTORY, AND SAID AGREEMENT MUST BE RENEGOTIATED. TOGO, AFTER EXPRESSING SOME RESERVATIONS ABOUT NEW AGREEMENT ASSUMED NONCOMMITTAL STAND, AND CAMEROONS RESOLUTELY REFUSED TAKE ANY POSITION. THIS MADE REQUIRED 80 PERCENT CONCURRENCE OF PRODUCER GROUP UNOBTAINABLE. AGREEMENT REMAINS OPEN FOR SIGNATURE UNTIL AUGUST 31.

3. BRAZILIAN POSITION, ENUNCIATED BY PAULO DIRCEU PINHEIRO, CHIEF, BASIC PRODUCTS DIVISION, MINISTRY OF FOREIGN AFFAIRS, WAS THAT WHILE NEW AGREEMENT DEFICIENT IN SOME RESPECTS IT WAS IMPROVEMENT OVER EXISTING ONE. HE ADDED THAT BRAZIL DID NOT FAVOR RENEGOTIATIONS AT THIS POINT DUE TO SHORT PERIOD OF TIME AVAILABLE, AND TOLD DELEGATES THAT US ADHERENCE, WHICH WAS "HIGHLY UNCLASSIFIED

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DESIRABLE," WOULD BE RAISED BY HIS GOVERNMENT DURING SECRETARY KISSINGER'S VISIT.

4. IN THE AFTERMATH OF THE ALLIANCE'S FAILURE TO REACH CONSENSUS ON THE NEW ICA, THE IDEA OF AN "INTERIM AGREEMENT" WAS FLOATED (THE SOURCE IS NOT KNOWN). THE INTERIM AGREEMENT WOULD SIMPLY EXTEND THE OLD AGREEMENT, BUT WITHOUT THE ECONOMIC

CLAUSES (QUOTAS, PRICE SPREAD, ADJUSTMENT MECHANISMS, AND REGULATORY STOCKS), UNTIL SUCH TIME AS THE NEW ICA, ACCEPTABLE TO ALL, COULD BE NEGOTIATED. IN THE MEANTIME, THE INTERNATIONAL COCOA ORGANIZATION WOULD BECOME SOMETHING OF A FORUM FOR THE EXCHANGE OF INFORMATION AND VIEWS. SINCE THIS IDEA APPEARED ONLY AT THE 13TH HOUR IT WAS NOT POSSIBLE TO ASSESS THE DEGREE OF SUPPORT BEHIND THIS.

5. THERE WAS ALSO TALK OF A HIGH LEVEL AFRICAN (POSSIBLY PRESIDENTIAL) MEETING, PERHAPS UNDER OAU AUSPICES, TO ACHIEVE A REGIONAL POSITION ON THE NEW ICA. THE IVORY COAST OR TOGO WERE MENTIONED AS POSSIBLE LOCATIONS. PRESUMABLY IT WOULD HAVE TO BE HELD PRIOR TO THE XXVII PRODUCERS' ALLIANCE MEETING SCHEDULED FOR JUNE OR JULY, 1976.

6. OTHER ITEMS OF INTEREST EMERGING FROM MEETING WERE: (1) FORECASTS OF SUPPLY/DEMAND EQUILIBRIUM AND STABLE PRICES DURING 75-76 COCOA YEAR; (2) NEED FOR DIPLOMATIC ACTION TO PREVENT INCREASED USE OF COCOA SUBSTITUTES IN CHOCOLATE MANUFACTURE, PARTICULARLY IN WESTERN EUROPE; (3) CEPLAC (EXECUTIVE PLANNING COMMISSION FOR COCOA FARMING, AUTONOMOUS ORGANIZATION LINKED TO MINISTRY OF AGRICULTURE) ESTIMATE OF 6 MILLION BAG PRODUCTION IN BRAZIL WITHIN FIVE YEARS; AND (4) APPARENT DECISION TO ADMIT ECUADOR AS MEMBER OF PRODUCERS' ALLIANCE. END OF SALVADOR MESSAGE.

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7. PRESS REPORTS, INCLUDING THE MARCH 5 EDITION OF THE JORNAL DO BRASIL, WHICH CARRIED THE LONGEST AND MOST COMPLETE ARTICLE, REPORTED THAT BRAZIL IS ABOUT TO SIGN THE COCOA  
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AGREEMENT. ALTHOUGH BASIC PRODUCTS DIVISION OFFICERS AT FONMIN HAVE BEEN AWAY, EMBASSY WAS FINALLY ABLE TO OBTAIN ON MARCH 10, CONFIRMATION FROM ASSISTANT TO CHIEF OF ECONOMIC BUREAU THAT BRAZIL WILL SIGN AGREEMENT SHORTLY. AFTER THE SIGNING, THE AGREEMENT WOULD BE RATIFIED BY CONGRESS.

8. THE JORNAL DO BRASIL REPORTED THAT BRAZILIAN DELEGATES TO THE COCOA PRODUCERS ALLIANCE MEETING CONSIDERED THE RESULTS TO BE POSITIVE DESPITE THE SMALL OBSTACLE CREATED BY THE POSITION OF THE IVORY COAST. THE SAME OFFICIAL SPOKESMEN SAID THAT THEY EXPECTED THAT BY AUGUST THE AGREEMENT FOR PRICE STABILIZATION WOULD BE RATIFIED BY ALL MEMBERS OF THE ALLIANCE. THIS WOULD INCLUDE THE IVORY COAST WHICH WOULD HAVE OVERCOME BY THAT TIME ITS INTERNAL POLITICAL PROBLEMS WHICH DID NOT PERMIT ITS ACCEPTANCE OF THE AGREEMENT AT THE MEETING IN SALVADOR.

9. THE SAME SPOKESMEN ARE QUOTED AS LISTING SEVERAL FAVORABLE ACHIEVEMENTS OF THE RECENT MEETING IN SALVADOR: (1) THE ESTABLISHING OF A STABILIZATION BOARD BETWEEN 34 AND 55 CENTS, (2) THE INCREASE OF 15 CENTS TO 25 CENTS FOR THE INITIAL PURCHASE PRICE OF COCOA FOR THE FORMATION OF REGULATING STOCK AND (3) THE IMPROVEMENT OF CONTROLS OVER SUPPLY FOR WHICH THE BRAZILIAN COMMERCIAL SYSTEM WAS CONSIDERED A MODEL.

10. NEWSPAPER ARTICLE ALSO NOTED PREDICTION FOR DEFICIT IN SUPPLY OF COCOA FOR 1975/76 HARVEST OF 60,000 TONS. AS NOTED BY AMCONSUL SALVADOR REPORT, DURING ALLIANCE MEETING EQUILIBRIUM WAS PREDICTED.  
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## Message Attributes

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